Summary of Stakeholder Meeting Notes (Responses to Open Questions- Unit 99)

Note: During some stakeholder meetings, questions have been raised that couldn't be answered without additional research by the facilitators. The following is a compilation of questions from the session and responses based on additional research.

<u>Open Questions to be Researched</u>

Unit 99 Stakeholder Session, January 18, 2008

1. Why the "urgency" now? Do we know for sure that bonding considerations would deteriorate if we have a "plan for remediation" but not full funding?
   Response: It could seem like there's urgency when the City and stakeholder groups have moved from virtually no consideration of the retiree health cost liability issue in the past, to today's in-depth consideration of how to best fund this liabilities in light of new GASB disclosure requirements. Recall GASB first became applicable to the City of San Jose last year. Probably better words than urgent to describe the process of considering this cost liability issue is "prudent" or responsible. A long-standing obligation is being disclosed by GASB, but there's no "rush to judgment" because the issue and possible solutions are both extremely complicated and possible decisions need more deliberation and research than almost any other issue the City and stakeholders have ever faced. In response to the question about the effect on bonding, no one knows for sure yet. It is true that bond rating agencies and auditors will be looking for a "plan" but likely the prudent decision for almost all public entities is for the "plan" to agree the liability should be funded to a greater extent than the liability has been funded in the past.
2. What are the most effective steps to either control costs and/or to control contribution increases?
   Response: Good questions, but it is really too early to know for sure what will be the most effective steps. But it is instructive to know that the solution isn't automatically contributions increases alone. Chances are neither the City nor employees/retirees could afford that anyway. So the best solution is going to be based on what can be done (that's acceptable in a meet-and-confer environment) to control costs and to deposit as much as possible into the tax-exempt fund(s) so interest earnings can help offset future costs. (See question # 4 above (page 2) for a listing of some of the very sound ideas currently under consideration to control costs and to

speed up the funding process). Ultimately, the amount of contributions changes will be largely dependent on how successful planners are in controlling future costs and in creating the means to advance fund to the greatest extent possible (and yet at an extent that's affordable for all stakeholders).